

AUDITING PROCEDURES REPORT

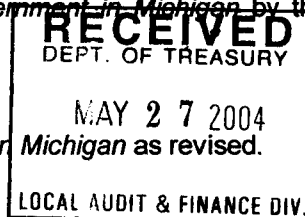
Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Bowne	County Kent
Audit Date March 31, 2004	Opinion Date April 23, 2004	Date Accountant Report Submitted to State: April 23, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF BOWNE
Kent County, Michigan

~~RECEIVED~~ ~~GENERAL PURPOSE~~ FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

MAY 27 2004

Year Ended March 31, 2004

TOWNSHIP OF BOWNE
Kent County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

April 23, 2004

To the Township Board
Township of Bowne
Kent County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Bowne, Kent County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The aforementioned general purpose financial statements do not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the general purpose financial statements do not present financial position and results of operations in conformity with accounting principles generally accepted in the United States.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Township of Bowne, Kent County, Michigan, as of March 31, 2004, and the cash receipts, cash disbursements and changes in fund balances/retained earnings for the year then ended.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Bowne, Kent County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF BOWNE
Kent County, Michigan

COMBINED STATEMENT OF ASSETS AND LIABILITIES –
ALL FUND TYPES AND ACCOUNT GROUPS

EXHIBIT A

March 31, 2004

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Improvement</u>
<u>Assets</u>			
Cash in bank	690 175 39	448 260 01	7 000 00
Investments	96 527 39	237 497 86	121 753 57
Due from other funds	31 354 79	-	-
Land	-	-	-
Buildings	-	-	-
Sewer system	-	-	-
Equipment	-	-	-
Total Assets	<u>818 057 57</u>	<u>685 757 87</u>	<u>128 753 57</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Deposits payable	10 000 00	-	-
Due to other funds	-	2 500 00	-
Bonds payable	-	-	-
Total liabilities	<u>10 000 00</u>	<u>2 500 00</u>	<u>-</u>
Fund equity:			
Investment in general fixed assets	-	-	-
Retained earnings:			
Unreserved	-	-	-
Fund balances:			
Unreserved:			
Undesignated	<u>808 057 57</u>	<u>683 257 87</u>	<u>128 753 57</u>
Total fund equity	<u>808 057 57</u>	<u>683 257 87</u>	<u>128 753 57</u>
Total Liabilities and Fund Equity	<u>818 057 57</u>	<u>685 757 87</u>	<u>128 753 57</u>

The accompanying notes are an integral part of these financial statements.

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	<u>Total (Memorandum Only)</u>
<u>Enterprise</u>	<u>Agency</u>	<u>General Fixed Assets</u>	
112 474 89	28 854 79	-	1 286 765 08
159 005 54	-	-	614 784 36
-	-	-	31 354 79
-	-	137 770 20	137 770 20
-	-	710 757 48	710 757 48
570 252 21	-	-	570 252 21
-	-	842 768 95	842 768 95
<u>841 732 64</u>	<u>28 854 79</u>	<u>1 691 296 63</u>	<u>4 194 453 07</u>
-	-	-	10 000 00
-	28 854 79	-	31 354 79
590 000 00	-	-	590 000 00
<u>590 000 00</u>	<u>28 854 79</u>	<u>-</u>	<u>631 354 79</u>
-	-	1 691 296 63	1 691 296 63
251 732 64	-	-	251 732 64
-	-	-	1 620 069 01
<u>251 732 64</u>	<u>-</u>	<u>1 691 296 63</u>	<u>3 563 098 28</u>
<u>841 732 64</u>	<u>28 854 79</u>	<u>1 691 296 63</u>	<u>4 194 453 07</u>

TOWNSHIP OF BOWNE
Kent County, Michigan

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES EXHIBIT B
Year Ended March 31, 2004 Page 1

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Improvement</u>	<u>(Memorandum Only)</u>
Cash receipts:				
Property tax	80 651 48	186 036 62	-	266 688 10
Licenses and permits	27 493 60	-	-	27 493 60
State revenue sharing	198 969 07	-	-	198 969 07
Charges for services:				
Administration fees	25 115 17	-	-	25 115 17
Fire runs and protection	-	46 053 96	-	46 053 96
Interest	10 017 27	5 047 20	486 37	15 550 84
Miscellaneous	24 240 05	4 104 00	-	28 344 05
Total cash receipts	<u>366 486 64</u>	<u>241 241 78</u>	<u>486 37</u>	<u>608 214 79</u>
Cash disbursements:				
Legislative:				
Township Board	7 807 95	-	-	7 807 95
General government:				
Supervisor	19 966 96	-	-	19 966 96
Elections	399 46	-	-	399 46
Assessor	18 096 59	-	-	18 096 59
Professional services	78 850 47	-	-	78 850 47
Clerk	26 525 48	-	-	26 525 48
Board of Review	900 00	-	-	900 00
Treasurer	24 386 32	-	-	24 386 32
Building and grounds	118 194 58	-	-	118 194 58
Cemetery	14 625 48	-	-	14 625 48
Public safety:				
Fire protection	-	150 723 32	-	150 723 32
Planning Commission	2 920 00	-	-	2 920 00
Public works:				
Highways and streets	32 169 01	-	-	32 169 01
Street lighting	2 271 84	-	-	2 271 84
Culture and recreation:				
Library	4 789 01	-	-	4 789 01

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE
Kent County, Michigan

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES EXHIBIT B
Year Ended March 31, 2004 Page 2

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>Capital</u>	<u>(Memorandum</u>
		<u>Revenue</u>	<u>Improvement</u>	<u>Only)</u>
Cash disbursements: (continued)				
Other:				
Insurance	12 774 00	-	-	12 774 00
Social security	7 991 67	-	-	7 991 67
Downtown Development Authority	-	27 429 57	-	27 429 57
Capital outlay	<u>8 388 00</u>	<u>36 160 00</u>	<u>-</u>	<u>44 548 00</u>
Total cash disbursements	<u>381 056 82</u>	<u>214 312 89</u>	<u>-</u>	<u>595 369 71</u>
Excess (deficiency) of cash receipts over cash disbursements	(14 570 18)	26 928 89	486 37	12 845 08
Fund balances, April 1	<u>822 627 75</u>	<u>656 328 98</u>	<u>128 267 20</u>	<u>1 607 223 93</u>
Fund Balances, March 31	<u>808 057 57</u>	<u>683 257 87</u>	<u>128 753 57</u>	<u>1 620 069 01</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE
Kent County, Michigan

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Cash receipts:			
Property tax	100 000 00	80 651 48	(19 348 52)
Licenses and permits	30 000 00	27 493 60	(2 506 40)
State revenue sharing	200 000 00	198 969 07	(1 030 93)
Charges for services:			
Administration fees	25 000 00	25 115 17	115 17
Fire runs and protection	-	-	-
Interest	5 000 00	10 017 27	5 017 27
Miscellaneous	<u>2 500 00</u>	<u>24 240 05</u>	<u>21 740 05</u>
Total cash receipts	<u>362 500 00</u>	<u>366 486 64</u>	<u>3 986 64</u>
Cash disbursements:			
Legislative:			
Township Board	16 999 50	7 807 95	(9 191 55)
General government:			
Supervisor	20 966 93	19 966 96	(999 97)
Elections	5 500 00	399 46	(5 100 54)
Assessor	18 096 59	18 096 59	-
Professional services	80 000 00	78 850 47	(1 149 53)
Clerk	27 525 48	26 525 48	(1 000 00)
Board of Review	1 000 00	900 00	(100 00)
Treasurer	25 361 32	24 386 32	(975 00)
Buildings and grounds	120 000 00	118 194 58	(1 805 42)
Cemetery	15 000 00	14 625 48	(374 52)
Public safety:			
Fire protection	-	-	-
Planning commission	3 000 00	2 920 00	(80 00)
Public works:			
Highways and streets	75 000 00	32 169 01	(42 830 99)
Street lighting	3 500 00	2 271 84	(1 228 16)
Culture and recreation:			
Library	8 500 00	4 789 01	(3 710 99)

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
166 500 00	186 036 62	19 536 62
-	-	-
-	-	-
-	-	-
24 000 00	46 053 96	22 053 96
7 000 00	5 047 20	(1 952 80)
<u>1 000 00</u>	<u>4 104 00</u>	<u>3 104 00</u>
<u>198 500 00</u>	<u>241 241 78</u>	<u>42 741 78</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
132 200 00	150 723 32	18 523 32
-	-	-
-	-	-
-	-	-
-	-	-

TOWNSHIP OF BOWNE
Kent County, Michigan

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Cash disbursements: (continued)			
Other:			
Insurance	30 000 00	12 774 00	(17 226 00)
Social security	12 000 00	7 991 67	(4 008 33)
Downtown Development Authority	-	-	-
Capital outlay	<u>10 000 00</u>	<u>8 388 00</u>	<u>(1 612 00)</u>
Total cash disbursements	<u>472 449 82</u>	<u>381 056 82</u>	<u>(91 393 00)</u>
Excess (deficiency) of cash receipts over cash disbursements	(109 949 82)	(14 570 18)	95 379 64
Fund balances, April 1	<u>789 201 26</u>	<u>822 627 75</u>	<u>33 426 49</u>
Fund Balances, March 31	<u>679 251 44</u>	<u>808 057 57</u>	<u>128 806 13</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
289 450 00	27 429 57	(262 020 43)
-	36 160 00	36 160 00
<u>421 650 00</u>	<u>214 312 89</u>	<u>(207 337 11)</u>
(223 150 00)	26 928 89	250 078 89
<u>527 655 19</u>	<u>656 328 98</u>	<u>128 673 79</u>
<u>304 505 19</u>	<u>683 257 87</u>	<u>378 752 68</u>

TOWNSHIP OF BOWNE
Kent County, Michigan

COMBINED STATEMENT OF CASH RECEIPTS, CASH
DISBURSEMENTS AND CHANGES IN RETAINED EARNINGS -
ALL PROPRIETARY FUND TYPES
Year Ended March 31, 2004

EXHIBIT D

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Cash receipts:	
Charges for services	297 677 85
Interest	<u>1 727 72</u>
Total cash receipts	<u>299 405 57</u>
Cash disbursements:	
Operating expenses	<u>171 859 95</u>
Total cash disbursements	<u>171 859 95</u>
Excess of cash receipts over cash disbursements	<u>127 545 62</u>
Other financing sources (uses):	
Interest expense	<u>(27 313 76)</u>
Total other financing sources (uses)	<u>(27 313 76)</u>
Excess of cash receipts and other financing sources over cash disbursements and other uses	100 231 86
Retained earnings, April 1	<u>151 500 78</u>
Retained Earnings, March 31	<u><u>251 732 64</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Bowne, Kent County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Bowne. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

TOWNSHIP OF BOWNE
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Improvement Fund

This fund is used to account for the acquisition or construction of major capital facilities.

Proprietary Fund

Enterprise Fund

Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Funds

These funds are used to account for assets held as an agent for others.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The cash basis of accounting is followed by all fund types. Bonds payable and fixed assets acquired with bond proceeds are recognized in the Sewer Fund. Under the cash basis of accounting, revenues are recorded when collected. Expenditures are recorded when they are paid. Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when collected.

TOWNSHIP OF BOWNE
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2003 Township tax roll millage rate was 2.6320 mills and the taxable value was \$90,626,553.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase except that fixed assets acquired with bond proceeds are capitalized. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have not been recognized. Allowances for uncollectible accounts have not been provided.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amounts are recorded in the financial statements.

TOWNSHIP OF BOWNE
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the cash basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

TOWNSHIP OF BOWNE
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 286 765 08</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	251 783 42
Uninsured and Uncollateralized	<u>1 034 981 66</u>
Total Deposits	<u>1 286 765 08</u>

TOWNSHIP OF BOWNE
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
<u>Investment Type</u>				
Risk-Categorized:				
Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized:				
Financial Institution Pooled Funds				<u>614 784 36</u>
Total Investments				<u>614 784 36</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

TOWNSHIP OF BOWNE
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land	137 770 20	-	-	137 770 20
Buildings	702 369 48	8 388 00	-	710 757 48
Equipment	806 608 95	36 160 00	-	842 768 95
Totals	<u>1 646 748 63</u>	<u>44 548 00</u>	<u>-</u>	<u>1 691 296 63</u>

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	28 854 79	Tax Collection	28 854 79
General	<u>2 500 00</u>	Fire	<u>2 500 00</u>
Total	<u>31 354 79</u>	Total	<u>31 354 79</u>

Note 5 – Bonds Payable

On July 1, 2002, the Township issued \$600,000.00 in bonds to finance a sewer system upgrade. As of March 31, 2004, the principal balance outstanding was \$590,000.00 and it is recorded in the Sewer Fund.

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
11/1/04	10 000 00	2.500
11/1/05	10 000 00	2.600
11/1/06	10 000 00	3.000
11/1/07	15 000 00	3.125
11/1/08	15 000 00	3.375
11/1/09	15 000 00	3.600
11/1/10	15 000 00	4 000

TOWNSHIP OF BOWNE
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 5 – Bonds Payable (continued)

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
11/1/11	15 000 00	4.000
11/1/12	15 000 00	4.000
11/1/13	15 000 00	4.125
11/1/14	15 000 00	4.300
11/1/15	20 000 00	4.500
11/1/16	20 000 00	4.500
11/1/17	20 000 00	4.625
11/1/18	20 000 00	4.750
11/1/19	20 000 00	5.000
11/1/20	20 000 00	5.000
11/1/21	25 000 00	5.000
11/1/22	25 000 00	5.000
11/1/23	25 000 00	5.000
11/1/24	35 000 00	5.000
11/1/25	35 000 00	5.000
11/1/26	40 000 00	5.000
11/1/27	40 000 00	5.000
11/1/28	45 000 00	5.000
<u>11/1/29</u>	<u>50 000 00</u>	<u>5.000</u>
Total	<u>\$590 000 00</u>	

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Pension Plan

The Township has a defined contribution pension plan covering all Township board members. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2004, was not paid by March 31, 2004.

TOWNSHIP OF BOWNE
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 8 – Budget Variances

Public Act 621 of 1978 requires that a municipality shall not incur expenditures in excess of the amount appropriated. The approved budget of the Township for the Fire Operating Fund was adopted on an activity level, and amended periodically by the Township Board. During the year ended March 31, 2004, the Township incurred expenditures in certain activities which were in excess of the amounts appropriated.

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Budget Variance</u>
<u>Fund/Activity:</u>			
Fire Operating Fund:			
Fire protection	132 200 00	150 723 32	18 523 32
Capital outlay	-	36 160 00	36 160 00

Note 9 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Building Permits

As of March 31, 2004, the Township had building permit revenues of \$27,493.60 and building permit expenses of \$25,669.60.

Note 11 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF BOWNE
Kent County, Michigan

GENERAL FUND
STATEMENT OF CASH DISBURSEMENTS BY DETAILED ACCOUNT EXHIBIT E
Year Ended March 31, 2004 Page 1

Township Board:	
Wages	3 375 00
Mileage	1 552 27
Miscellaneous	<u>2 880 68</u>
	<u>7 807 95</u>
Supervisor:	
Wages	<u>19 966 96</u>
Elections	<u>399 46</u>
Assessor	<u>18 096 59</u>
Professional services	<u>78 850 47</u>
Clerk:	
Wages	<u>26 525 48</u>
Board of Review	<u>900 00</u>
Treasurer:	
Wages	<u>24 386 32</u>
Building and grounds:	
Wages	8 090 00
Office supplies	2 643 39
Repairs and maintenance	49 989 35
Telephone	9 177 99
Printing and publishing	6 819 39
Utilities	3 251 91
Contracted services	33 527 65
Miscellaneous	<u>4 694 90</u>
	<u>118 194 58</u>
Cemetery	<u>14 625 48</u>
Planning Commission	<u>2 920 00</u>
Highways and streets	<u>32 169 01</u>
Street lighting	<u>2 271 84</u>

TOWNSHIP OF BOWNE
Kent County, Michigan

GENERAL FUND
STATEMENT OF CASH DISBURSEMENTS BY DETAILED ACCOUNT EXHIBIT E
Year Ended March 31, 2004 Page 2

Library	<u>4 789 01</u>
Insurance	<u>12 774 00</u>
Social security	<u>7 991 67</u>
Capital outlay	<u>8 388 00</u>
Total Cash Disbursements	<u><u>381 056 82</u></u>

TOWNSHIP OF BOWNE
Kent County, Michigan

COMBINING STATEMENT OF ASSETS AND LIABILITIES –
ALL SPECIAL REVENUE FUNDS
March 31, 2004

EXHIBIT F

	<u>Fire Operating Fund</u>	<u>Downtown Development Authority Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	108 159 55	340 100 46	448 260 01
Investments	<u>237 497 86</u>	<u>-</u>	<u>237 497 86</u>
Total Assets	<u>345 657 41</u>	<u>340 100 46</u>	<u>685 757 87</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to other funds	<u>2 500 00</u>	<u>-</u>	<u>2 500 00</u>
Fund balances:			
Unreserved:			
Undesignated	<u>343 157 41</u>	<u>340 100 46</u>	<u>683 257 87</u>
Total fund balances	<u>343 157 41</u>	<u>340 100 46</u>	<u>683 257 87</u>
Total Liabilities and Fund Balances	<u>345 657 41</u>	<u>340 100 46</u>	<u>685 757 87</u>

TOWNSHIP OF BOWNE
Kent County, Michigan

COMBINING STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS EXHIBIT G
Year Ended March 31, 2004

	<u>Fire Operating Fund</u>	<u>Downtown Development Authority Fund</u>	<u>Total</u>
Cash receipts:			
Property tax	151 376 37	34 660 25	186 036 62
Charges for services	46 053 96	-	46 053 96
Interest	1 630 68	3 416 52	5 047 20
Miscellaneous	<u>-</u>	<u>4 104 00</u>	<u>4 104 00</u>
Total cash receipts	<u>199 061 01</u>	<u>42 180 77</u>	<u>241 241 78</u>
Cash disbursements:			
Public safety:			
Fire protection:			
Wages	42 291 99	-	42 291 99
Social security	3 235 28	-	3 235 28
Operating supplies	63 716 59	-	63 716 59
Contracted services	13 142 23	-	13 142 23
Insurance	13 855 71	-	13 855 71
Utilities	5 156 02	-	5 156 02
Miscellaneous	9 325 50	-	9 325 50
Other:			
Downtown Development Authority:			
Repairs and maintenance	-	9 278 00	9 278 00
Contracted services	-	10 109 51	10 109 51
Utilities	-	7 665 54	7 665 54
Miscellaneous	-	376 52	376 52
Capital outlay	<u>36 160 00</u>	<u>-</u>	<u>36 160 00</u>
Total cash disbursements	<u>186 883 32</u>	<u>27 429 57</u>	<u>214 312 89</u>
Excess of cash receipts over cash disbursements	12 177 69	14 751 20	26 928 89
Fund balances, April 1	<u>330 979 72</u>	<u>325 349 26</u>	<u>656 328 98</u>
Fund Balances, March 31	<u><u>343 157 41</u></u>	<u><u>340 100 46</u></u>	<u><u>683 257 87</u></u>

TOWNSHIP OF BOWNE
Kent County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES – ALL AGENCY FUNDS
Year Ended March 31, 2004

EXHIBIT H

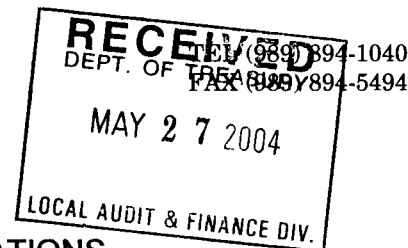
	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>29 820 89</u>	<u>2 543 380 93</u>	<u>2 544 347 03</u>	<u>28 854 79</u>
<u>Liabilities</u>				
Due to other funds	29 820 89	294 730 37	295 696 47	28 854 79
Due to others	<u>-</u>	<u>2 248 650 56</u>	<u>2 248 650 56</u>	<u>-</u>
Total Liabilities	<u>29 820 89</u>	<u>2 543 380 93</u>	<u>2 544 347 03</u>	<u>28 854 79</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>-</u>	<u>55 310 41</u>	<u>55 310 41</u>	<u>-</u>
<u>Liabilities</u>				
Due to Others	<u>-</u>	<u>55 310 41</u>	<u>55 310 41</u>	<u>-</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>29 820 89</u>	<u>2 543 380 93</u>	<u>2 544 347 03</u>	<u>28 854 79</u>
<u>Liabilities</u>				
Due to other funds	29 820 89	294 730 37	295 696 47	28 854 79
Due to others	<u>-</u>	<u>2 303 960 97</u>	<u>2 303 960 97</u>	<u>-</u>
Total Liabilities	<u>29 820 89</u>	<u>2 598 691 34</u>	<u>2 599 657 44</u>	<u>28 854 79</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707



AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

April 23, 2004

To the Township Board
Township of Bowne
Kent County, Michigan

We have audited the financial statements of the Township of Bowne, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Bowne in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Bowne
Kent County, Michigan

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Bowne
Kent County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Bowne will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants